2 Worry-Free Stocks for Your RRSP

Description

If you haven't already contributed to your RRSP for fiscal year 2017, you have until March 1 to do so. Hurry up before it's too late! You must contribute before the deadline to benefit from a tax deduction when you file your taxes for 2017.

However, while making a contribution will give you a tax deduction, if you just leave the money in your RRSP and don't invest it, you will forego a big advantage of this investment vehicle: the tax-free compounding of returns until funds are withdrawn.

When you put money into your RRSP, you don't have to invest it right away, but you shouldn't wait too long before investing if you want your money to grow. You need to take some time to do research before investing to be sure you are buying investments that are suitable for you.

It is important to hold stocks in your RRSP, because their returns are higher than bonds over the long term. By diversifying your stocks, you will limit your downside risk.

If you don't have a clue which stocks you should buy now, I'll suggest two stocks that are in two different sectors and that should perform well over the next years.

Metro, Inc. (TSX:MRU)

By investing in Metro, you shouldn't expect to get sky-high returns. But if you're looking for stable, constant returns, that is a stock you should consider. Metro is a defensive stock that performs well regardless of economic cycles. In 2008, while the Canadian stock market was down -35%, Metro managed to return over 40%.

Over the last five years, the grocer's stock returned 15% on average per year, and its dividend has grown at an average annual rate of 17.6%.

On January 30, Metro raised its quarterly dividend by 10.8% to $0.18 after it reported a better-than-expected first quarter.

Metro earned nearly $1.3 billion, or $5.67 per share, boosted by the sale of its stake in **Alimentation Couche-Tard Inc.** to help fund its acquisition of **Jean Coutu Group PJC Inc.**, which will help drive growth in the years to come. The result compared with a profit of $138.1 million, or $0.58 per share, in the same quarter a year ago.

On an adjusted basis, Metro earned $153.4 million, or $0.67 per share, up 11% and 15.5%, respectively, from a year ago, while analysts expected a profit of $0.59 per share.

Metro is cheap relative to its peers, with a P/E of 5.3 compared to 14.7 for the industry's average.

Royal Bank of Canada (TSX:RY)(NYSE:RY)

By investing in a big bank like RBC, which is very solid financially, you'll benefit from constant growth in returns and in dividends. Over the last five years, the bank's stock returned 13% on average per year, and its dividend has grown at an average annual rate of 8.8%.

On February 23, RBC hiked its quarterly dividend by 3.3% to $0.94 after reporting a first quarter that topped estimates due to strong growth in its core retail banking division.

Canada's largest bank's net income remained flat at $3 billion because it took a $178 million charge related to U.S. tax reform.

After adjustments, RBC earned $2.05 per share, beating analysts' expectations of $1.99. U.S. tax reform boosted growth in the bank's capital market division and is expected to have a longer-term positive impact.

RBC will also profit from rising interest rates. Higher interest rates will enable the bank to lend at higher rates. As a result, its net interest margin will expand, and so will its earnings.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:MRU (Metro Inc.)
3. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/27
Date Created
2018/02/27
Author
sbchateauneuf